

# House Study Bill 197

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED AUDITOR OF  
STATE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act concerning audit and review functions of the auditor of  
2 state relative to governmental subdivisions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 1243XD 83  
5 ec/sc/14

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1 1 Section 1. Section 11.1, Code 2009, is amended to read as  
1 2 follows:  
1 3 11.1 DEFINITIONS.  
1 4 1. For purposes of this chapter, unless the context  
1 5 otherwise requires:  
1 6 a. The term "department" shall be construed to mean  
1 7 "Department" means any authority charged by law with official  
1 8 responsibility for the expenditure of public money of the  
1 9 state and any agency receiving money from the general revenues  
1 10 of the state.  
1 11 b. "Examination" means procedures that are less in scope  
1 12 than an audit but which are directed toward reviewing  
1 13 financial activities and compliance with legal requirements.  
1 14 c. "Governmental subdivision" means cities and  
1 15 administrative agencies established by cities, hospitals or  
1 16 health care facilities established by a city, counties, county  
1 17 hospitals organized under chapters 347 and 347A, memorial  
1 18 hospitals organized under chapter 37, entities organized under  
1 19 chapter 28E, community colleges, area education agencies, and  
1 20 school districts.  
1 21 d. "Regents institutions" means the institutions governed  
1 22 by the board of regents under section 262.7.  
1 23 2. As used in this chapter, unless the context otherwise  
1 24 requires, "book", "list", "record", or "schedule" kept by a  
1 25 county auditor, assessor, treasurer, recorder, sheriff, or  
1 26 other county officer means the county system as defined in  
1 27 section 445.1.  
1 28 Sec. 2. Section 11.6, subsection 1, paragraph a,  
1 29 subparagraph (1), Code 2009, is amended to read as follows:  
1 30 (1) The Except for entities organized under chapter 28E  
1 31 having budgeted gross receipts of one hundred thousand dollars  
1 32 or less in a fiscal year, the financial condition and  
1 33 transactions of all cities and city offices, counties, county  
1 34 hospitals organized under chapters 347 and 347A, memorial  
1 35 hospitals organized under chapter 37, entities organized under  
2 1 chapter 28E having gross receipts in excess of one hundred  
2 2 thousand dollars in a fiscal year, merged areas, area  
2 3 education agencies, and all school offices in school  
2 4 districts, governmental subdivisions shall be examined audited  
2 5 at least once each year, except that cities, Cities having a  
2 6 population of seven hundred or more but less than two thousand  
2 7 shall be examined at least once every four years, and cities  
2 8 budgeted gross receipts of one hundred thousand dollars but  
2 9 less than two million dollars in a fiscal year shall be  
2 10 examined at least once each year pursuant to procedures  
2 11 established by the office of auditor of state and the report  
2 12 of the examination shall be filed with the office of the  
2 13 auditor of state and the examined city. However, cities  
2 14 having a population of less than seven hundred budgeted gross  
2 15 receipts of less than one hundred thousand dollars in a fiscal  
2 16 year may be examined as otherwise provided in this section.  
2 17 The examination shall cover the fiscal year next preceding the  
2 18 year in which the audit is conducted. The examination audit  
2 19 of school offices districts shall include an audit of all

2 20 school funds including categorical funding provided by the  
2 21 state, the certified annual financial report, the certified  
2 22 enrollment as provided in section 257.6, supplementary  
2 23 weighting as provided in section 257.11, and the revenues and  
2 24 expenditures of any nonprofit school organization established  
2 25 pursuant to section 279.62. Differences in certified  
2 26 enrollment shall be reported to the department of management.  
2 27 The ~~examination audit~~ of school ~~offices districts~~ shall  
2 28 include at a minimum a determination that the laws of the  
2 29 state are being followed, that categorical funding is not used  
2 30 to supplant other funding except as otherwise provided, that  
2 31 supplementary weighting is pursuant to an eligible sharing  
2 32 condition, and that postsecondary courses provided in  
2 33 accordance with section 257.11 and chapter 261E supplement,  
2 34 rather than supplant, school district courses. The  
2 35 ~~examination audit~~ of a city that owns or operates a municipal  
3 1 utility providing local exchange services pursuant to chapter  
3 2 476 shall include ~~an audit performing tests~~ of the city's  
3 3 compliance with section 388.10. The ~~examination audit~~ of a  
3 4 city that owns or operates a municipal utility providing  
3 5 telecommunications services pursuant to section 388.10 shall  
3 6 include ~~an audit performing tests~~ of the city's compliance  
3 7 with section 388.10.

3 8 Sec. 3. Section 11.36, Code 2009, is amended by adding the  
3 9 following new subsection:

3 10 NEW SUBSECTION. 4. When, in the auditor of state's  
3 11 judgment, the auditor of state finds sufficient information is  
3 12 available to demonstrate a governmental subdivision may not  
3 13 have substantially complied with the laws, rules, regulations,  
3 14 and contractual agreements governing public funds, the auditor  
3 15 of state shall establish actions to be taken to determine  
3 16 whether substantial compliance with those laws, rules,  
3 17 regulations, and contractual agreements has been achieved by  
3 18 the governmental subdivision receiving public funds. Payment  
3 19 for the examination shall be made from the proper public funds  
3 20 of the governmental subdivision.

3 21 EXPLANATION

3 22 This bill makes changes relating to the duties and  
3 23 responsibilities of the auditor of state relative to  
3 24 governmental subdivisions.

3 25 Code section 11.1 is amended to define examination as a  
3 26 procedure less in scope than an audit but which is directed at  
3 27 reviewing financial activities and compliance with legal  
3 28 requirements. Governmental subdivision is also defined to  
3 29 mean cities, administrative agencies of cities, city  
3 30 hospitals, counties, county hospitals, memorial hospitals,  
3 31 chapter 28E entities, community colleges, area education  
3 32 agencies, and school districts.

3 33 Code section 11.6(1), concerning what governmental  
3 34 subdivisions are subject to audit or examination is amended.  
3 35 The bill amends language concerning the auditing of cities by  
4 1 eliminating the requirement that cities with a population  
4 2 between 700 and 2,000 shall have an audit at least once in  
4 3 four years. The bill provides that cities with budgeted gross  
4 4 receipts of at least \$100,000, but less than \$2 million, shall  
4 5 be examined at least once each year pursuant to procedures  
4 6 established by the auditor and a report of the examination  
4 7 shall be filed with the auditor and the examined city. The  
4 8 bill provides that cities with budgeted gross receipts of less  
4 9 than \$100,000 may be examined.

4 10 Code section 11.36, concerning the review by the auditor of  
4 11 entities receiving public moneys, is amended. The Code  
4 12 section is amended to provide that the auditor has the  
4 13 authority to investigate a governmental subdivision if the  
4 14 auditor of state gains information of noncompliance that is  
4 15 sufficient to warrant an investigation. If an examination is  
4 16 warranted, the governmental subdivision is required to pay for  
4 17 the examination.

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